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Mitchell E. Daniels, Jr.
Governor

News Release
For immediate release

Governor accepts recommendation to modernize FSSA eligibility processes

INDIANAPOLIS (November 29, 2006) – Governor Mitch Daniels today accepted a recommendation from an inter-agency team that calls for contracting for back office services to improve customer service, reduce waste and fraud and improve Indiana's poor welfare-to-work record. The governor also announced the creation of 1,000 new jobs in Indiana by IBM and its partners.

The governor received the recommendation from an inter-agency team appointed to review the Indiana Family and Social Services Administration (FSSA) eligibility modernization project on November 22. It is a scaled back hybrid approach that would use Hoosiers in the private and public sectors to provide administrative support for the eligibility determination process, saving nearly \$500 million in administrative costs alone over the next 10 years. The proposed contract would be awarded to an International Business Machines Corporation (IBM) led coalition.

In conjunction with the contract award, IBM and its partners separately would create 1,000 new jobs in Indiana and provide equipment to boost the capacity of Indiana University's (IU) 'Big Red' supercomputer, as well as provide other economic development benefits to the state.

The governor said he would make a final decision about signing the contract after a public hearing about the contract terms is conducted on December 8, and the state receives approval from appropriate federal agencies.

"Today, we act to clean up welfare waste, and to provide Indiana's neediest people a better chance to escape welfare for the world of work and dignity. We will make America's worst welfare system better for the people it serves, a much fairer deal for taxpayers, and for its own employees," said Daniels. "Simultaneously, we will bring 1,000 jobs and new great high-tech assets to the Indiana economy."

The governor's team negotiated a proposed contract that is significantly different from the original IBM proposal. According to the final negotiated agreement:

- The state would enter into a 10-year agreement with IBM to provide the intake services and technology support for the eligibility system
- FSSA employees would continue to determine client eligibility
- The state and IBM will maintain offices in all 92 counties
- All FSSA employees who now determine welfare eligibility would have jobs with the state or with the contractor (after passing a drug test and criminal background check)

Daniels said that upon finalization of the contract, IBM, the Indiana Economic Development Corporation (IEDC), IU and Purdue University would enter into a memorandum of understanding that provides:

- A commitment by IBM and its partners to create 1,000 new jobs in Indiana over the next four years, with 850 jobs created in the first two years. Many of the new positions would be at a new IBM Customer Service Center. The company is currently considering several locations around the state for the center.
- The provision, at no charge, of a supercomputer (IBM BladeCenter Cluster), jointly owned by IU and Purdue, that will more than double the state's high performance computing capacity. The BladeCenter would be used to support academic and private sector life sciences research. IBM also would provide three research staff for 12 months to help train IU and Purdue scientists to operate the system. (Total value for Blades and services is estimated at \$6 million to \$7 million.)
- Establishment of a Future Technology Solution Design Center on the IUPUI campus, which would focus on developing multi-core technologies for IBM and its alliance partners.
- 400 hours of economic development consulting services to IEDC without charge.

"It's the procurement policy of this administration to favor companies that hire Hoosiers. We discussed with IBM the importance we placed on their making a major commitment to Indiana, and 1,000 new jobs was the result," said the governor.

According to the negotiated agreement, all affected FSSA employees would continue to have employment. About one-third of the FSSA employees who determine welfare eligibility would remain as state employees with the responsibility of making final eligibility determinations; the remaining eligibility employees would be offered positions with equal or greater pay and comparable benefits with members of the IBM coalition.

"We have secured better terms of employment than the state could ever have provided for those employees transitioning to IBM and its partners," said Earl Goode, the governor's chief of staff who chaired the inter-agency committee. "Those employees remaining with the state will be freed from paper-pushing and able to use their time and skills helping Hoosiers get off welfare and into productive, self-reliant lives."

The recommended solution also is by far the most cost effective, the committee said. FSSA estimated that about \$500 million in administrative savings would be achieved by the recommended solution, at a total cost of \$1.6 billion over 10 years (\$1.16 billion IBM coalition contract and \$500 million in-house) versus \$2.1 billion if FSSA attempted to modernize the system internally. Additional large savings will occur as errors and fraud are reduced, but no estimate has been attempted for those savings.

Right now, 92 percent of FSSA's activity is contracted already and has been for years. Implementing this contract would increase the percentage by 2 percent to 94 percent.

"Contracting for social services is the rule, not the exception. FSSA is a buyer, not a provider of social services, and always has been," said Daniels.

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As part of this statutory contracting process, the governor set December 8 at 9 a.m. as the date for a public hearing on the proposed contract. The hearing will take place in the auditorium at Ivy Tech, 50 West Fall Creek Parkway, North Drive, in Indianapolis.

The 10-year performance-based contract would be implemented geographically in four phases, beginning in August 2007, with employees beginning to transition in March. Each phase would be completed successfully before transitioning to the next.

The cornerstone of the effort is to improve customer service by making the eligibility application system available 24 hours a day, seven days a week, via an interactive phone system and the Internet. The access by technology would supplement, not replace, the practice of meeting personally with a caseworker in a county office. Clients who want to apply for services in-person with a caseworker could still do so.

The state would retain responsibility and management of data in the Indiana Client Eligibility System (ICES) computer system, which would be enhanced by automating the data collection activities and taking advantage of the Internet and technologies commonly used in call center processing and document center management.

The contract includes performance standards in five areas with penalties when targets are not met and financial incentives for achievement. For example, the IBM coalition would be responsible for helping the state improve its record in moving clients off of welfare and into work. According to the U.S. Department of Health and Human Services, Indiana has had the worst record in the country over the last 10 years in reducing its Temporary Assistance for Needy Families caseload. IBM has agreed to help the state meet the new federal requirement of a 50 percent work participation rate and would share in federal penalties if the requirement is not met.

The IBM-led coalition comprises companies experienced in modernizing similar public systems nationwide. Other team members include: Affiliated Computer Services, Inc., Alpha Rae Personnel Inc., Crowe Chizek and Company, Haverstick Consulting, Interactive Intelligence, Phoenix Data Corp., RCR Technology Group and Arbor Education & Training. Collectively, this group of companies currently employs more than 3,000 Hoosiers.

The notice of the public hearing will be published on Thursday, and copies of the proposed contract will be available then. The review team's report is available at this link:
http://www.in.gov/gov/pdfs/112906_Eligibility_Report.pdf.

Various fact sheets, including state comparisons, benefits for FSSA employees and the current status of FSSA's welfare delivery system may be found at this link:
http://www.in.gov/gov/pdfs/112906_Eligibility_Report_Highlights.pdf.

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